

KENTUCKY

TEACHERS' RETIREMENT SYSTEM

RETIRED MEMBER
EDITION



July/August
2010

Retirees Receive 1.5% Cost of Living Adjustment (COLA)

All members retired for at least one year as of July 1, 2010 will receive a 1.5% COLA with July's benefit. Those retired less than one year will receive a pro-rata COLA based on the number of months they have been retired.

Retiree Health Care is Secure with Shared Responsibility

House Bill 540 to Take Effect July 1, 2010

As reported in the last KTRS Newsletter, HB 540 with its long-term solution to funding retiree health care passed out of both chambers of the General Assembly without a single dissenting vote and was signed into law by the Governor on April 13th. This historic legislation was the culmination of months of work by the education community. HB 540 provides a shared responsibility approach to funding retiree health care and ends the unsustainable practice of paying for medical insurance costs by borrowing from contributions that should go to fund retirees' pensions. HB 540 will also start moving retiree health insurance toward a pre-funded plan. For retired members, and active members who want to someday retire, this is the best guarantee they can have to ensure that

medical insurance will be there for them in their retirement years.

Effective July 1, 2010, active members will begin a six-year phase-in to an additional contribution to the medical insurance fund. For a typical active member, the average net amount that will be deducted from his or her monthly paycheck will be approximately \$8 in the first year. Local school districts and other employers will match the amount paid by each member they employ. Retirees under the age of 65 will begin a three-year phase-in to an additional contribution that will in the third year equal the Standard Part B premium that is paid by retirees age 65 and over. In the

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SHARED RESPONSIBILITY ...

KTRS Board of Trustees Chair & Vice Chair Elected



BARBARA G. STERRETT, of Lexington, was re-elected chair of the Board of Trustees for the 2010-

2011 fiscal year at the Board of Trustees meeting held June 21, 2010. Mrs. Sterrett represented active members on the Board from 1990 until her retirement in 2003. In May 2005, she was elected to represent retired members. She served as the Board's vice-chair in 2007 and has served as chair since 2008.



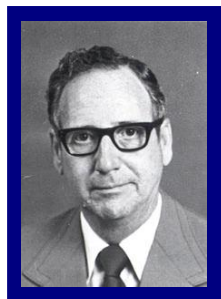
DR. JOSEPH A. (JAY) MORGAN, of Murray, was re-elected vice-chair for the 2010-2011

fiscal year at the Board of Trustees meeting held June 21, 2010. Dr. Morgan has represented active members on the Board since July 2006 and has served as vice-chair since 2008.

Members Elect Trustees to KTRS Board

The election for the positions on the KTRS Board of Trustees due to expiring terms for the lay trustee and the active trustee positions was conducted during May 2010. Dr. Terry Holliday, Chief State School Officer, certified the results of the election to the KTRS Board of Trustees.

ROBERT M. CONLEY of Paintsville, the incumbent, was re-elected to a four-year term as lay trustee. Mr. Conley served as lay member on the Kentucky Teachers' Retirement System (KTRS) Board of Trustees from September 1988 until June 2003, and was appointed to the Board again in March 2004. During his tenure on the Board of Trustees, Mr.



Conley served as vice chair of the Board's Investment Committee from 1991 until August 2006 when he was named chair.

Mr. Conley, a lifelong resident of Paintsville, taught in the Paintsville City Schools for two years, and began a career in banking in 1948 with the First National Bank of Paintsville, rising from bank teller to executive vice president and chief executive officer when he retired in 1980. After retiring from banking, Mr. Conley served as finance officer for Johnson County, as well as finance officer and budget director for the City of Paintsville.

Mr. Conley has been very active in civic and community affairs, and served as a member of the Paintsville Independent School Board for twelve years, including a four-year term as chairman. He also served on the Board of Advisors at Prestonsburg Community College for more than 25 years.

Mr. Conley's current term of office began July 1, 2010 and will end June 30, 2014.

LAURA A. ZIMMERMAN of Lexington, the incumbent, was re-elected to a four-year term to represent active members. Ms. Zimmerman has served as an active member trustee on the Kentucky Teachers' Retirement System (KTRS) Board of Trustees since September 2003.



Ms. Zimmerman is a graduate of Eastern Kentucky University with a B.S. in Community Health Education, a B.S. Area of Concentration Science, and a Masters Degree in Biology Education. Ms. Zimmerman is currently a teacher in Fayette County Public Schools' Family Care Center, and is a recipient of the University of Kentucky's Teachers Who Made A Difference Award.

In addition to serving on a number of Fayette County Public Schools' committees, Ms. Zimmerman is also active in the Kentucky Education Association, the National Education Association and the Fayette County Education Association, where she has served on the Board of Directors. She has also served as chair of the Fayette County Education Association-sponsored Hugh O'Brien Leadership Program and participated as a liaison for students in the teacher education program. For more than ten years, Ms. Zimmerman served on the Fayette County Public Schools' Benefits Committee where benefit improvements were identified, specifications developed and proposals reviewed for making recommendations of companies that could provide benefits.

Ms. Zimmerman's current term of office began July 1, 2010 and will end June 30, 2014.

Minimum Distribution Requirements

Regardless of whether you are vested with at least five (5) years of service or not, if you are no longer working for a participating KTRS employer, federal tax law requires you to take action soon after you reach age 70½ to withdraw the contributions that have been deposited in your retirement account. If you are vested with at least five (5) years of service, you are required to withdraw your contributions by filing a retirement application to start receiving your retirement allowance. If you are not vested with at least five (5) years of service, you are required to file an application for a refund of your account. Failure to take action to timely withdraw the contributions that have been deposited in your retirement account may result in federal tax penalties.

If you are age 70 ½ or older and no longer contributing to the retirement system, please contact KTRS immediately for the appropriate forms to apply for retirement or a refund to avoid substantial and recurring federal tax penalties. Federal tax law also requires the beneficiary of an active or retired member to begin receiving benefits or take a refund soon after the member's death.

Beneficiaries should contact the retirement office soon after the member's death to begin receiving benefits or take a refund in order to avoid any applicable penalties.

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first six months, this payment will equal \$37 per month and may increase slightly in January of 2011 if Medicare increases the Part B premium cost. Effective July 1, the Commonwealth of Kentucky will begin paying the cost of medical insurance for new retirees under the age of 65, minus what these retirees are otherwise required to pay. We can all be thankful for the good work of the education community, the General Assembly and the Governor for the passage of this vitally important piece of legislation and the retirement security that it will provide to all active and retired members.

The 2010-2011 Daily Wage Threshold (DWT) letters were mailed on June 15, 2010.

FOR RETIREES THAT HAVE RETURNED TO WORK

During the third week of June 2010, over 9,000 DWT letters were mailed to members giving the DWT for the upcoming school year.

If you have any questions regarding your DWT, please contact KTRS toll free at 1-800-618-1687.

KTRS Retiree Analysis

As of December 31, 2009, KTRS had 4,916 service retirees who were at least 80 years old and more than 35 who were 100 years old and over! **The KTRS Defined Benefit Group Retirement Plan provides retirement security that lasts a lifetime.**

Retiree AGE

Age 100 years old or more	38
Age 95-99 years old	278
Age 90-94 years old	710
Age 80-89 years old	3,890

TOTAL RETIREES	4,916
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Just as a Reminder ...

Under Age 65
**Kentucky Employees'
Health Plan (KEHP)**
Open Enrollment is normally held in
October.

Age 65 & Over
**Medicare Eligible
Health Plan (MEHP)**
Open Enrollment
is normally held
November 15 - December 31

Retirees Under Age 65

Kentucky Employees' Health Plan

Under Age 65 Retirees who are covered by the KEHP will begin having an additional \$37.⁰⁰ deducted monthly starting with your July check. This is for plan year 2010. (See page 1 article "Retiree Health Care is Secure with Shared Responsibility" for more information.)

Select Home Delivery

Kentucky Employees' Health Plan

The Kentucky Employees' Health Plan (KEHP) and Express Scripts will be implementing the "Select Home Delivery" (SHD) program effective 8/1/10. Member communications began in mid-June.

This program is expected to maximize savings without taking anything away from the member. By encouraging the move of maintenance medications to Home Delivery, the plan savings opportunity could be as high as \$16 million, and member savings could be \$7 million.

What SHD does:

- Is addressed to KEHP members who are filling maintenance medications at the retail pharmacy.
- Will **require** members to make a choice (by contacting Express Scripts - mail, phone, internet) about where they receive their maintenance medications - through Home Delivery or at a retail pharmacy. *Members will be allowed two more fills of their maintenance medication at a participating retail pharmacy before making this choice.*
- If the member has not contacted Express Scripts with a decision by their third fill, a pharmacist intervention occurs. **The patient MUST contact ESI with their decision, or pay the full cost of their medication at retail.** You may contact the Member Choice Center from 7:30-5:30 CST @ 1-866-272-9798 or at www.express-scripts.com.
- Retail pharmacies participating in the three-months supply for two months co-pay also save money.

SUMMARY - KEHP members receiving maintenance medications at the retail pharmacy will need to contact Express Scripts to advise if they are willing to move to Home Delivery or if they want to continue at the retail level.

2011 Changes to the KEHP are Unknown at this Time

The provisions of the recently enacted state budget bill (HB 1) pertaining to the Kentucky Employees' Health Plan (KEHP) were vetoed. The Personnel Cabinet and the Department of Employee Insurance will continue to have the responsibility for developing the 2011 KEHP plan options, which must be consistent with the funding levels prescribed in HB 1. This means that the plan options for 2011 must produce a \$94 million reduction in this budget item. KTRS, alongside the active and retired education community, will monitor and report on the 2011 KEHP plan options as they are being developed via our representation on the Kentucky Group Health Insurance Board and the Advisory Committee of State Health Insurance Subscribers.

Dependent Eligibility Audit Nearing End

If you are covered by the Under Age 65 health insurance plan (Kentucky Employees' Health Plan) and you are covering a dependent (child or spouse), you should have received a request for verification of eligibility of those dependents. If you have not already done so, **YOU MUST PROVIDE DOCUMENTATION OF ELIGIBILITY** to continue coverage for those dependents.

As of June 24, KTRS has been notified that approximately 750 KTRS retirees have not started or finished the verification process for their dependents. **Dependents for which verification is not received will be terminated retroactive to December 31, 2009.**

If you did not receive a request for verification for your dependents or have been unable to complete the verification process, you should immediately contact Chapman Kelly at www.mydependentcheck.com/KEHP or by calling 1-877-223-8478.

Retirees Age 65 & Over

Same MEHP Design, Just New ID Cards Issued

If you are currently enrolled in the KTRS Medicare Eligible Health Plan (MEHP), you should have already received your new Medco and Humana ID cards that are effective July 2010. Your plan design and access to providers has remained the same.

KTRS wants to thank the participants of the MEHP for helping to contain \$5 million per year in medical costs and assisting to reduce the unfunded actuarial accrued liability of the KTRS Medical Insurance Fund by \$900 million. This was made possible by moving to an Employer Group Waiver Medicare Prescription Drug Plan with Medco and moving to a Medicare Advantage Regional PPO with Humana.

Let's recap what stays the same about the MEHP:

- ♦ **Plan Design Elements:** SAME
- ♦ **Drugs Covered:** Same drugs covered.
However, there could be a minimal amount of preferred and non-preferred formulary differences and tier to tier cost differences, but the current plan already experiences quarterly formulary changes. Many may see a lowered copayment or coinsurance.
- ♦ **Providers:** Same providers. By moving to the Humana Medicare Advantage PPO Plan, you can continue to use any provider who accepts Medicare Advantage and Humana's payment terms.
- ♦ **Deductibles:** SAME
- ♦ **Annual Out of Pocket Maximum:** SAME
- ♦ **Copayment/Coinsurance Structure:** SAME
- ♦ **Medicare Program:** SAME
- ♦ **Medicare Rights and Protections:** SAME
- ♦ **Medicare Covered Services:** SAME
- ♦ **Participants Required to Pay Medicare Part B Premiums Directly to Social Security:** SAME
- ♦ **MEHP Premium Cost for 2010:** SAME

MEHP/SSA Personal Information Must Match!

If you are writing KTRS to change your address, please indicate if this is temporary or permanent. A temporary address would be an address you are NOT changing with Medicare.

If you are enrolled in the KTRS Medicare Eligible Health Plan (MEHP), all of your information at KTRS must match the information on file for you at the Social Security Administration. Medicare obtains your information from Social Security and if your information at KTRS does not match, your enrollment into the MEHP could be rejected by Medicare. Therefore, it is very important that your name, including your middle initial, date of birth, and even your address at KTRS match Social Security's information. If this office receives information from Medicare regarding a discrepancy, KTRS will change our records to match those of Medicare and Social Security in order to maintain your health insurance. If Social Security has incorrect personal information for you, please contact them at 1-800-772-1213 or go to your local Social Security office to submit documentation to correct their records. Based on information found on Social Security's Website, you can also change your address on-line by obtaining a password. If you have a password with Social Security, you can:

- Check your information and benefits. See the direct deposit, Medicare and payment information Social Security has on file for you.
- Change your address or telephone number;
- Start or change direct deposit;
- Change your password or block electronic access to your personal information; and
- Choose your password. If you received a letter from Social Security about password services, you can choose your password or block password access to your personal information.

Need a password?

If you don't have a password (or you lost or forgot your password) you may request a password on-line at www.ssa.gov or you may call the Social Security office at 1-800-772-1213 (TTY 1-800-325-0778) and they will mail you a code (called a password request code) that you can use to create and activate a password.

KTRS Member Retires after 68 Years of Teaching

Ms. Ilene Croley, 88, retired July 01, 2010, after teaching **68 years**. As KTRS is in its 72nd year of existence, Ms. Croley has been teaching 68 out of those 72 years--an incredible achievement.

Ms. Croley began her teaching career in a one-room school in Benham, in far Eastern Kentucky. In 1960 she arrived at the Cochran Elementary School in Jefferson County and continued teaching there until her recent retirement.

Please join KTRS staff in wishing Ms. Croley the best in her retirement. ***Information for this article was taken from the June, 01, 2010 Courier-Journal.*

No Shares of BP Were in the KTRS Portfolio

On April 20th of this year, the Deepwater Horizon rig exploded in the Gulf of Mexico killing 11 people and injuring 17 others. This was the start of what has become the largest offshore oil spill in U.S. history, and it is ongoing. In addition to the unprecedented environmental disaster, the stock of BP has lost 50% of its value since this disaster. There are many reports in the news media of the negative impact this decline in stock value has had on retirees through losses to their pension plans and 401(k) plans. Although KTRS has owned shares of BP in the past, the last shares were sold in 2008, and fortunately, KTRS owned no shares of BP when the disaster occurred. The Board and staff of KTRS wish to express their sympathy to the families and friends of those killed or injured in this disaster, along with those that are deeply impacted by either the environmental disaster, and/or have suffered economic loss as the result of this tragedy.

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